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SIPDIS

DEPT FOR EB A/S ANTHONY WAYNE; SA/INS FOR J. BRENNIG, N.
DEAN; PLEASE PASS TO TSUNAMI RECONSTRUCTION TASK FORCE;
TREASURY FOR C. CARNES; MCC FOR D.NASSIRY

SENSITIVE

E.O. 12958: N/A

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SUBJECT: SRI LANKAN POST-TSUNAMI RECONSTRUCTION UPDATE
(JUNE 16, 2005)

Ref: State 109335

1. (U) This cable provides information for the June 16 post-Tsunami IAWG meeting. Please see action request in para 10.

Maldives

2. (U) Econchief and USAID Environment Officer visited Maldives on June 13 to discuss USD 8.7 million contribution to the GORM Tsunami Relief and Reconstruction Fund (TRRF). Emboffs met with Riluwan Shareef, Executive Director, Ministry of Finance; Mohamed Ahmed, Assistant Executive Director, Ministry of Finance; and, Aminath Didi, Assistant Director General, Department of External Resources, Ministry of Foreign Affairs.

3. (SBU) Shareef thanked the USG on behalf of the GORM for its support in the aftermath of the tsunami. He also expressed appreciation for the flexibility of the US Government in its consideration of potential projects and uses for the money. Shareef said that reconstruction has leveled off somewhat in recent weeks, the result of:

--Fatigue and stress on the part of GORM officials, who have been working 18-20 hour days since the tsunami hit; the GORM realizes it need to rationalize people's schedules and workflow;

--Maldivian construction companies are overtaxed and not always capable of meeting donor requirements for international contracts. This then begs the question, do you take a risk with less capable contractors, or spread out the ones that are able to meet requirements?

--Dealing with increased capital investment expenditures. In a normal year, Maldives would absorb approximately USD 30 million in investment. Even if one assumes a five-year rebuilding period, the USD 450 million in assessed damage means Maldives faces a burden several times its normal absorptive capacity.

4. (SBU) Shareef indicated that they are treating the reconstruction effort as a budgetary exercise, in order to closely track the financial management of the projects and programs. Regarding the USG request to disburse all monies within 16 months, the GORM would make every effort to comply, but this would be a tall order. Didi suggested that imposing such a timeframe means we need to move as quickly as possible to conclude a bilateral agreement, and the GORM would appreciate a draft from the USG as quickly as possible.

5. (SBU) One area that Shareef suggested would help the GORM immensely was capacity building related to TRRF fund management. In this regard, the Finance Ministry currently keeps most national accounts on the Quicken "QuickBooks" program. This limits their ability to meet the transparency, auditing and reporting requirements of many donors. Further, the Ministry has been working since before the tsunami to better integrate GORM accounts. The TRRF was based on a public finance project that had been under consideration by the ADB, but the loan component for the project remains uncertain. There is currently draft legislation before the Majlis (parliament) and under consideration by cabinet to strengthen the public accounting system. The GORM would be interested in using approximately 10 percent of the proposed USG funds to hire a consultant and purchase the necessary hardware and software to pursue this project. According to Ahmed, the project could be completed within three months and would be a huge boon to the GORM's ability to meet donor requirements for accountability, would help the GORM better disburse and account for funds more quickly and would have longstanding benefits for shaping how the GORM structures its overall financial program.

6. (SBU) Regarding questions of accountability, Emboffs

were also briefed on the GORM version of the Donor Assistance Database (DAD) provided by UNDP. This mechanism should be implemented by mid-July and will be maintained directly by the GORM. The GORM has already established KPMG Maldives as their internal auditors for the TRRF and provided Econchief with a copy of the Terms of Reference (TOR) for the internal audit function (will be faxed to SA/INS and Task Force). External audit TOR is under development and will be provided when completed. Currently the GORM is updating income and expenditures daily and posts this information every two weeks on the Internet at (<http://www.finance.gov.mv/>).

17. (SBU) The GORM remains concerned about financing gaps in the sewerage, clean drinking water and jetty and harbor development sectors, in addition to the administrative capacity building issues described above. They have promised to have the Department of National Planning provide us with a list of ideas that they would pursue with our donation. Regarding the US request to "brand" our donations, GORM is in full agreement and encourages the practice.

18. (U) On the question of how to transfer funds, the Maldives Monetary Authority maintains an account with the Fed in New York and the Bank of Maldives has a connection with JP Morgan-Chase. Therefore, it will probably be easiest to arrange a transfer from Treasury to the MMA Fed account in New York.

19. (SBU) Emboffs met with representatives from UNDP and the Maldivian National Chamber of Commerce and Industry (MNCCI) to discuss the potential US contribution as well. Both groups urged vigilance on the monitoring of the funds and expressed a desire that the US help in building capacity, as they agreed with the GORM assessment that the rebuilding effort is beginning to wane as a result of a lack of resources and capabilities. As did the GORM, both UNDP and MNCCI identified water and sanitation, jetties and capacity building as key areas for reconstruction.

10. (SBU) With regard to the TRRF, we obviously need to have more discussions about specific projects. Nonetheless, Post suggests that we proceed with negotiation and conclusion of a bilateral agreement. In keeping with reftel request to keep to general sectors, we suggest that the agreement identify water and sanitation, harbor and jetty projects and administrative and financial capacity building as the scope. Please advise on how such an agreement will be prepared on the USG side.

Sri Lanka - Six-Month Anniversary

11. (SBU) With regard to Washington discussions on how to mark the six-month anniversary, Post believes it would be best to tie our PD efforts to the signing and implementation of the SOAG. In Sri Lankan culture, one month, three month and one year anniversaries are appropriate to mark events of this magnitude. Post placed an op-ed on USG assistance at the three-month mark, and will consider doing another one for the six-month commemoration. However, we do not envision a major public affairs effort aimed at marking the six-month point, but would focus our efforts, when we sign the SOAG, on highlighting the projects to be undertaken through the supplemental funding initiative.

USTDA Visit

12. (U) USTDA Reps are in town today and tomorrow and will be meeting with a cross-section of tsunami reconstruction players to find the best fit of USTDA assistance. We will work closely with USTDA to identify good opportunities with follow-on commercial potential.

Paris Club Debt Relief

13. (U) We have heard from the Finance Ministry that the GSL intended to sign an MOU with the Paris Club on June 15. We further understand agencies are working on a draft bilateral agreement for consideration by the GSL. Please let us know if additional information is required to help in this effort.

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